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4-2021

### Injunctions in Patent Law: A Trans-Atlantic Dialog on Flexibility and Tailoring

Jorge L. Contreras

Martin Husovec,

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INJUNCTIONS IN PATENT LAW: A TRANS-ATLANTIC DIALOGUE ON FLEXIBILITY AND  
TAILORING (Jorge L. Contreras and Martin Husovec, Editors, Cambridge University Press,  
forthcoming)

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## CHAPTER 1

### INTRODUCTION: PATENT REMEDIES IN THE GLOBAL LANDSCAPE

Jorge L. Contreras and Martin Husovec

Despite their outward differences, all modern legal systems share a number of fundamental features. One of these features is the availability of legally enforceable remedies for injuries that are proven to an adequate legal standard. As explained by Douglas Laycock, one of the preeminent scholars of common law remedies, “The choice of remedy and the measure and administration of the remedy chosen pose a distinctive set of questions -- logically separate from the liability determination and usually considered subsequent to that determination -- focused on what the court will do to correct or prevent the violation of legal rights that gives rise to liability.”<sup>1</sup>

The law recognizes a wide array of remedies, both civil and criminal, ranging from monetary damages and fines to orders constraining future conduct to imprisonment.<sup>2</sup> A legal system, embodied by the legislative, executive and judicial branches of government, selects legal remedies for particular types of harms based on a range of considerations including compensating the injured party, punishing the injuring party, constraining future conduct by the injuring party, and deterring future injurious conduct by others. It is seldom the case that all available remedies are imposed for a single injurious act, but remedies issues in combination are not at all uncommon.

Like most other areas of the law, patent law offers remedies to injured parties – those whose validly-issued patents are infringed by others. Broadly speaking, remedies in patent law fall into two categories – damages, calculated by a variety of measures, and injunctions, which legally restrain the infringer’s future conduct. It is not obvious, as a purely logical matter, which of these remedies is preferable in a given situation, or as a general matter. Each has its purposes and can shape individual behavior as well as broader societal incentives and deterrents. This being said, injunctive relief is highly valued by patent holders, sometimes far surpassing the perceived value of monetary remedies.

Over the years, different jurisdictions have emphasized one form of remedy over another based on the internal structure of their laws, the position that patents occupy within that structure, and the role that judges, lawyers and political bodies play in making legal determinations. In some jurisdictions, patent law has a manifestly instrumental purpose. For example, patents are authorized under the U.S. Constitution for the express instrumental purpose of promoting the progress of science and the useful arts (U.S. Const., Art. I, Sec. 8, Cl. 8). In other jurisdictions, patents are regarded as property rights inherent to individual acts of invention. As a result of differences like these, there is a diversity of approaches to injunctive relief in patent cases.<sup>3</sup> One

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<sup>1</sup> Laycock 2008, 164.

<sup>2</sup> Criminal penalties for commercial activities should not be underestimated. In the United States, at least, criminal penalties are routinely imposed for antitrust law violations, copyright infringement and trade secret misappropriation.

<sup>3</sup> See, e.g., Cotter, 2013; Sikorski 2019; Siebrasse et al. 2019.

aim of this book is thus to highlight the differences among jurisdictions in this regard, whether rooted in legal doctrine, broader institutional structures or social and professional norms.

In no jurisdiction is the issuance of injunctions in patent cases a purely automatic process. Even the most rigid legal system recognizes the need for some degree of discretion or flexibility in this regard under certain circumstances. Flexibility at the remedy stage of an action can help to alleviate inefficiencies otherwise caused by uniformity within the patent system. That is, because patents extend a uniform term of protection, and uniform rights to enforce against infringers, to all patented inventions irrespective of their degree of innovation or usefulness, “society pays too much for numerous innovations that would have been created with less robust protection, while in other cases patent rights are less extensive than would be necessary to induce the creation of certain costly but socially desirable inventions.”<sup>4</sup>

This is the problem of uniformity cost – when the law affords the same legal rights to all inventions, some are invariably protected too much and some are protected too little, resulting in a cost to society with respect to those inventions. But because it is impossible to tailor patent grants to the societal value of individual inventions, tailoring mechanisms that can be deployed in the area of remedies can help to address inefficiencies resulting from uniformity cost.<sup>5</sup> However, as remedies cannot redefine the scope of patent rights by going beyond the baseline of protection set by the legislature, tailoring and flexibility of remedies are more likely to resolve situations when inventions are protected too much.

Thus another goal of this book is to explore the degree to which different jurisdictions employ tools of flexibility and tailoring in the imposition of patent law injunctions. As with the decision to issue injunctions, this set of tools is highly subject to the doctrinal, structural and normative background of individual jurisdictions. Hence, we observe a variety of approaches, both to the issuance of injunctions and the tailoring of injunctive remedies after the decision to issue them has been made. This variety also demonstrates varying degrees of institutional openness towards judicial reconciliation of fundamental trade-offs implicit in the patent system.

It is not a goal of this book, however, to suggest that strict uniformity among jurisdictions is possible or even desirable. Like other scholars who have considered the issue, we do not suggest that an international treaty or harmonization of legal regimes is a desirable or even feasible goal.<sup>6</sup> This book demonstrates that injunction practices are embedded in the institutional make-up of each jurisdiction, such that simple legal transplants would be inadequate to address perceived deficiencies in the practices of any given jurisdiction.

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<sup>4</sup> Carroll 2007, 423.

<sup>5</sup> Id. at 425. See also Burk & Lemley 2009, 137-41 (referring to judicial flexibility in the issuance and tailoring of injunctions as a “policy lever” that can help to alleviate the inherent costs associated with the uniformity of legal protection in different industries).

<sup>6</sup> See Cotter 2015, 2 (“a treaty that goes into greater detail about when injunctions must or should be granted ... would not be a good idea”).

Rather, we seek to elucidate existing flexibility mechanisms within the legal frameworks that have developed around the world, to identify their similarities and differences, their probable driving forces, and to analyze trends that may emerge as patent litigation becomes an increasingly global and interconnected enterprise.<sup>7</sup> We hope that this comparative and analytical study will assist judges and litigators to learn from the diverse approaches to patent injunctions taken by different jurisdictions.

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<sup>7</sup> See, e.g., Contreras 2019 (describing global litigation in the area of standard-essential patents).

## CHAPTER 15

### ISSUING AND TAILORING PATENT INJUNCTIONS – A CROSS-JURISDICTIONAL COMPARISON AND SYNTHESIS

Jorge L. Contreras and Martin Husovec

In the preceding chapters of this book, we have seen a variety of national approaches to the issuance of and tailoring of injunctive relief, characterized by a range of similarities and differences among jurisdictions. In this chapter, we synthesize the principal features of these different legal systems, provide an analytical framework for comparing them, and offer our observations about trends and the outlook for the future.

#### I. INJUNCTIVE RELIEF IN PATENT CASES – COMPARING MODALITIES OF FLEXIBILITY

One can compare national approaches to the issuance and tailoring of injunctive relief at several levels: that of the formal doctrine governing injunctive relief, the norms and customs that guide its judiciary, and the overall structural features of the legal system. The use of particular approaches within a jurisdiction varies based on whether the relief sought is preliminary or permanent. We will thus discuss these separately below, and then offer some observations regarding the rationale for the divergence of approaches as between permanent and preliminary relief.

When the courts consider injunctive relief, they typically assess a wide range of issues. In order to allow for cross-country comparison, we divide these issues into the following three categories:

- (1) *Adequacy* - Is an injunction an appropriate remedy for the type of harm suffered by the plaintiff?
- (2) *Party interests* – What is the balance of hardships as between the parties from having an injunction issue or not issue?
- (3) *Public interests* – Will any important interests of third parties or the public be affected by the issuance of an injunction?<sup>8</sup>

These three categories are considered differently (if at all) across jurisdictions, but also at various procedural stages within the same jurisdiction (preliminary injunctions, stays pending appeal and final or permanent injunctions). Table 1 below provides a brief overview of how the countries that we studied take these different factors into account at different stages of litigation.

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<sup>8</sup> From a European perspective, the notion of ‘proportionality’ (see below) usually covers both balancing of party’s interests, as well as balancing the public interest against that of the patent holder.

Table 1

	<b>Adequacy</b>	<b>Party interests</b>	<b>Public interests</b>
Preliminary injunctions	<i>Minority</i>	<i>All countries</i>	<i>Majority</i>
Stays pending appeal	<i>Minority</i>	<i>Majority</i>	<i>Minority</i>
Final injunctions	<i>Minority</i>	<i>Minority</i>	<i>Minority</i>

Below, we consider in greater detail the ways in which different jurisdictions approach the issuance and tailoring of injunctive relief at different stages of litigation.

A. *Issuance of Injunctions*

1. *Permanent Injunctions*

a. The Discretion Spectrum and Conceptual Models

With respect to the *issuance* of injunctive relief (i.e., the binary question whether or not an injunction should be issued), there are two fundamental legal conceptual models on which the countries studied base their practices: one in which injunctive relief is presumed to be available if a patent is infringed as a logical outgrowth of the nature of the exclusive patent right (“*Injunction as a Right*”), and another in which injunctive relief is evaluated for its appropriateness as one of several available remedies for patent infringement (including monetary damages) (“*Injunction as a Remedy*”). These two conceptual models generally exist within the boundaries of the two legal traditions studied here – civil law and common law.

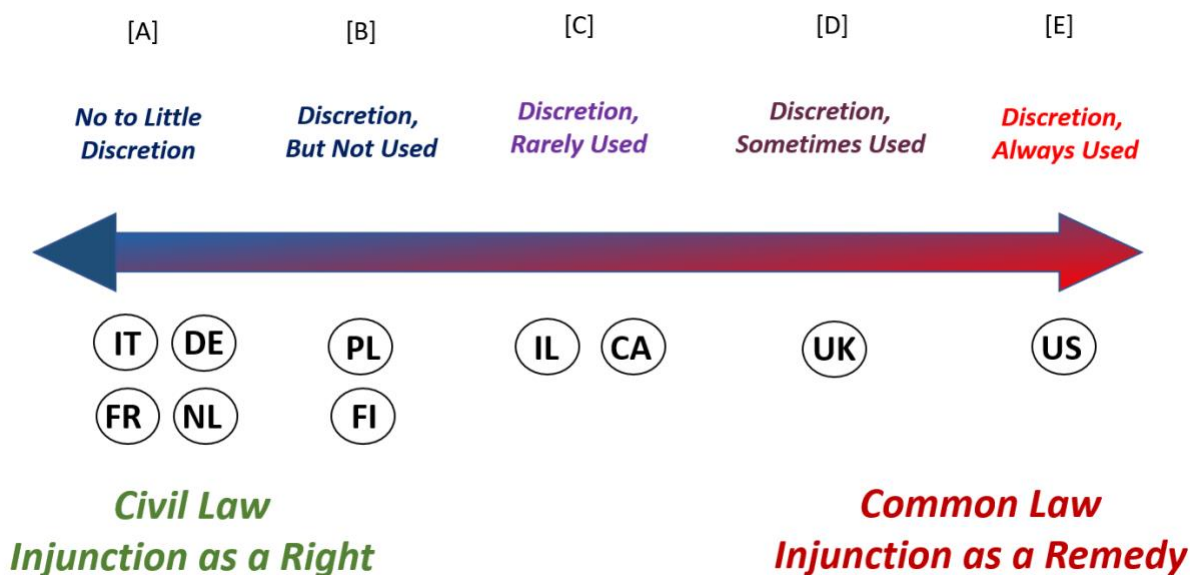
While courts in both groups might consider public and party interests, only common law countries appear to view the remedial adequacy or appropriateness of an injunction as a fundamental factor in deciding whether or not an injunction should be issued. Among the countries studied, the United States and the United Kingdom are the only two clearly following this model. Two other countries in the sample that follow at least some common law principles, Canada and Israel, find themselves somewhere between the two legal traditions, less because of underlying doctrine than attitudes of their judiciaries.

To further explore the richness of national approaches represented in this study, we have developed a spectrum that roughly charts the discretion available to judges and how they exercise it. It should be noted, however, that our classification is a snapshot from a particular period. As will be discussed in Section D, below, the emerging legal literature in many countries, along with cases and legislative changes, might cause countries to shift along our spectrum over time. In that sense, the spectrum is not static.



We describe five points along the spectrum as follows:

- A ***no to little discretion***: automatic issuance upon a finding of infringement [Germany,<sup>9</sup> France, Italy, Netherlands]
- B ***discretion, but not used***: automatic issuance upon a finding of infringement owing to attitudes of judges, despite the fact that the law gives them some discretion [Finland, Poland]
- C ***discretion, rarely used***: automatic issuance upon a finding of infringement owing to attitudes of judges, despite the fact that the law gives them discretion, except for rare circumstances [Canada, Israel]
- D ***discretion, sometimes used***: injunctions generally issue, but there is an individualized assessment in some cases [UK]
- E ***discretion, always used***: individualized assessment in all cases [United States]



The foregoing taxonomy is organized according to the remedial theory, and available domestic case-law concerning the issuance of permanent injunctions in patent cases. Yet, for practical purposes, one could also view groups A and B, and partly C, as resembling one another. In these countries, injunctions are usually issued when patent infringement is found. Despite the discretion that is afforded to judges in countries in groups B and C, this discretion is never or seldom exercised through a denial of an injunction. However, unlike countries in group A, this is a choice for judges in countries in groups B and C, not black letter law.

<sup>9</sup> At the time of writing, the German legislature is considering a change which might affect its future place in our taxonomy. See Part D, below.

In countries in groups A to C, the default tendency toward the issuance of injunctions is strong, and is only overridden rarely (if ever). In countries in group D (comprising only the United Kingdom), the default is weaker and can be overridden more easily. And in group E countries (comprising only the United States), a case-by-case assessment is the default, though, as discussed below, individual judges may develop decisional shortcuts and heuristics to simplify the decision-making process.

b. Discretionary Levers when Injunctions are Issued as of Right

Even in countries that we classify as being in groups A, B, and C, having a strong presumption favoring the issuance of injunctions in patent cases, courts exhibit varying degrees of discretion.

Not surprisingly, the least discretion is observed in group A. There, courts generally take a strong view that permanent injunctions automatically follow a finding of infringement, and extremely limited discretion is afforded to override this presumption: Germany, France, Italy, and the Netherlands, represent this approach to varying degrees. The courts in these countries generally see no valid mechanism to balance the interests of the parties in making the injunction decision. As for the public interest, they often view it as sufficiently served by the existence of compulsory licensing schemes or other features of the patent system, as discussed below. If the public interest is at stake, but the defendant did not make use of the procedure for compulsory licensing, the view is that the judge should not try to correct this outcome through remedies. The Dutch courts go as far as to suggest that ‘the protection of the interests of third parties such as patients should not take place through allowing patent infringement’.<sup>10</sup>

Although concepts like general civil law doctrines of abuse of rights and good faith are uniformly available in these countries, they are seldom used to limit the issuance of injunctions. Typically, the only abuse the judges are willing to rely on is one defined by competition law or at least strongly overlapping with competition law. For instance, Dutch courts treated problematic FRAND scenarios prior to the CJEU decision in *Huawei v ZTE* under the Dutch civil law doctrine of abuse of rights.

Courts in B countries perceive injunctions to be discretionary by nature, but judges predominantly grant them without any significant case-by-case analysis. Finnish law invites judges to consider the issuance of injunctions on a case by case basis. Israeli law conceptualizes injunctive relief as discretionary in nature, and Polish law implicitly grants discretion as well. But despite this, the judges in these countries generally issue injunctions in patent cases on a more or less automatic basis.

In the Finnish and Polish literature, it is widely understood that there might be exceptions to this general rule, usually based on the concept of abuse of rights or the principle of proportionality. In both countries, there is other IP case law (e.g., copyright and trademark) that applies such criteria more often. However, in patent law, no such cases exist to date.

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<sup>10</sup> Boehringer Mannheim/Kirin Amgen (HR 1995, par. 3.7) - see discussion in Chapter 11 (Netherlands).

An important difference between group B and C countries is the extent of tailoring their judges are willing to undertake. Group C countries, despite being close to civil law countries on the automatic issuance of injunctions, pro-actively intervene in the tailoring of injunctions, as courts do in common law countries. However, on the issue of denial of injunctions, they remain largely hesitant.

In Israel, there is a significant gap between the judiciary's rigid approach to final injunctions and its broad inherent discretion.

Canada is a special case. Its courts appear to be of the view that, while injunctions are discretionary, as they 'normally follow' a finding of infringement, and a permanent injunction will be refused only in 'rare circumstances'. However, to date, Canadian courts only have had a single patent infringement case in which an injunction was denied. In that case, the court cited local employment concerns, the fact that the patent was not practiced in Canada, and the patent was only used as a negotiation tool. To compensate, the judge awarded damages on 'a generous, but non-confiscatory' rate, which was somewhat enhanced compared to reasonable royalties. Unlike U.S. or UK courts, however, Canadian courts have not allowed infringers to design around the patent by including stays in their final injunctions. For these reasons, we have included Canada among group C countries, while acknowledging that Canada might at some point shift toward group D. Today, however, Canadian case-law does not allow us to make such categorization, which might be caused by the relative scarcity of PAE litigation in Canada and the fact that Canadian cases involving tailoring of injunctions have typically involved direct competitors.

Unlike group A, therefore, the law in B or C countries is less an obstacle to the loosening of the automatic issuance of injunctions. The obstacles in these countries are the traditional attitudes of judges, and perhaps a lack of appropriate cases. Although the same can be partly said about the group A countries, the theoretical availability of discretion is an important distinguishing factor.

Philosophically, judges in group A countries often emphasize that the presumption favoring injunctions in patent cases follows from the idea that patent rights are property rights. It is an inherent right of a property owner to exclude others from the enjoyment of that property. This reasoning is explicitly found in a majority of civil law countries in our study (France, Italy, the Netherlands, and Germany).

In France, injunctions do not have an explicit statutory basis, but the proprietary nature of patents is understood to provide an entitlement to such relief. And in Italy, an injunction issued by a court is often seen as equivalent to the prohibition on infringement already contained in the law, apart from the fact that it is addressed to a specific person.

c. Judicial Discretion when Injunctions are Viewed and Practiced as Types of Remedies

Courts in group D and E countries view permanent injunctions as one type of legal remedy that exists alongside other remedies such as compensatory damages, punitive damages, specific

performance, and so forth. Given their roots in English common law, these countries generally view equitable remedies as appropriate if they are necessary to address harms that are otherwise inadequately redressed by “legal” remedies such as monetary compensation (i.e., deriving from the historical division between the courts of law and the ecclesiastical courts of equity). Unlike courts in group A countries, the adequacy of injunctive relief is an integral part of the court’s analysis of a party’s request for an injunction. The difference between groups D and E, then, is the degree to which courts view patent infringement as an irreparable harm as to which a permanent injunction is an appropriate remedy, though in many cases, especially in group D (the United Kingdom), this analysis may be brief or absent in any given case.

As explained above, while injunctions may also be viewed as remedies in Canada or Israel, this view is less supplemented by actual practice. Although these countries differ from group D and E countries on the actual use of discretion, they typically engage in more tailoring than group A and B countries. In most of the common law countries that we studied (US, UK, Canada, Israel), judges are more proactive in drafting their injunction orders, and enjoy considerable discretion in doing so.

Courts in the United Kingdom generally view patent infringement as causing irreparable harm to the patent holder, giving rise to a strong presumption of injunctive relief. This view was also held in the United States prior to the U.S. Supreme Court’s decision in *eBay v. MercExchange* (2006).<sup>11</sup> In *eBay*, however, the Supreme Court rejected the lower courts’ presumption of irreparable harm in patent cases, requiring instead that courts apply the “traditional equitable” four factor analysis when assessing the appropriateness of injunctive relief as a remedy in any given case. As a result, injunctions are refused in a material number of patent infringement cases in the U.S., particularly those involving non-practicing entities. In many of these cases, the court will award the patent holder ongoing monetary damages (a royalty) in lieu of the injunction.

The four *eBay* factors, which are discussed at length in Chapter 14 (US), include irreparable harm, inadequacy of monetary remedies, a balance of hardships between the parties, and the public interest. Though not expressly codified to this degree in the UK or Canada, some of these principles do enter into judicial consideration of injunctive relief in these countries.

In the United Kingdom, when a patentee has established infringement, an injunction will generally be granted. However, the case law demonstrates that judges can deny injunctions entirely (including an award damages in lieu of the injunction) or with respect to a part of the infringement; or they can stay enforcement of a permanent injunction for a limited period.

In the United Kingdom, two notable cases concern partial grant of injunctions for a sub-set of infringements in order to protect health interests of impacted patients, and a two and half-week stay of an injunction to allow for redesign of widely used service by the infringer. It is worth noting that in the United Kingdom, many cases which otherwise would have to be argued on the public interest or balance of hardship grounds, were often resolved by prior agreement of the parties to the dispute, with the judges following the agreement of the parties.

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<sup>11</sup> *eBay* (2006).

## 2. *Stays pending appeal*

It is a typical feature of many systems that first instance decisions ordering injunctions can be subject to a stay pending appeal. The courts commonly recognize that such stays provide stronger evidence of infringement than preliminary injunctions stage. As a consequence, the counter-interests speaking against enforceability have to be stronger. The countries use different defaults: (a) no provisional enforcement, unless the right holder requests it (Italy and France in the past, the Netherlands), or (b) default immediate enforceability, unless the alleged infringer requests a stay (Italy and France today, Canada, United States, Finland, Germany, Israel, United Kingdom). In Poland, the first instance decision is never immediately enforceable.

As illustrated by the Italian experience, the default rule may significantly influence outcomes. In the 1990s, the default rule in Italy was that non-final injunctions not be provisionally enforced. Italian courts openly exercised their discretion not to enforce such injunctions in favor of infringers. Their assumption was that the harm suffered by the infringer from an injunction subsequently lifted could be irreparable, while the patentee could always be compensated with damages. Once the default rule changed, the attitude of judges tilted in favor of provisional enforceability. The legislature's choice of default thus influenced the attitude of judges. A similar change of default rules was adopted in France in 2019.

The Netherlands, however, offers a contrary example. Although, by default, appeals suspend enforceability, and the Dutch Supreme Court has held that provisional enforceability is always subject to a balance of interests, in practice the Dutch courts virtually always allow provisional enforceability. In Canada, there is generally a presumption, albeit not too strong, against granting a stay pending appeal.

Regardless of the default rule, injunctions pending appeal are subject to a separate balancing test even in leading civil law jurisdictions. Usually, the infringer has to post a financial guarantee to compensate the patent holder for potential damages caused by the stay. As illustrated by Dutch practice, judges can be reluctant to exercise such discretion. The balancing usually takes the form of a typical balance of convenience. That is, how much does the potential harm to the defendant outweigh the plaintiff's interests (Germany, UK)? In the United States, judges can also consider the public interest as a factor in determining whether to grant a stay. Conditions of the financial guarantee, in particular its size, can also act as effective delays on the enforcement of injunctions. For instance, in a recent FRAND dispute between Nokia and Daimler,<sup>12</sup> a German court set a bond at the unprecedented rate of 7bn euros.

This brief summary shows that injunctive orders might produce binding effects at different points in time. In countries that grant preliminary injunctions, such orders come very early, but might be more limited in scope. In other countries, where preliminary injunctions are harder to obtain, patent holders need to await at least a first instance decision on the merits resulting in an injunction. Such injunctions could be more widely construed than preliminary injunctions and enforced provisionally; but there are also countries in which such injunctions are effectively

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<sup>12</sup> See LG Mannheim, Case 2 O 34/19, reported on at < <http://ipkitten.blogspot.com/2020/08/no-cjeu-reference-yet-as-mannheim-court.html> >

enforceable only once they become final. Lastly, some countries might offer de facto stays of enforceability during the enforcement stage.

The models employed by different countries might therefore be hard to compare when it comes to temporal effects. A country whose judges decide cases very quickly and are willing to grant stays of final injunctions pending appeal might, at the end of the day, be less generous to infringers than a country whose procedures take much longer and offer numerous delays at the interim stages.

In general, losing a preliminary injunction means that only a final injunction on the merits will produce any binding effects. Since the merits determination in some countries, such as Poland, might last years, this means that any infringer effectively enjoys a ‘stay’ during the pendency of the matter. It is therefore understandable that in Poland significant emphasis is put on preliminary injunctions, as these are the only effective injunctive orders for a considerable duration of the patent term.

On the other hand, in countries where preliminary injunctions are rare, such as United States or Canada, the emphasis is on final injunctions, but these are sometimes provisionally enforceable, subject to different tests of balance of party interests. In Canada, judges can tailor their stays and temporarily permit part of the infringing activity.

Finally, most of the European jurisdictions, with the exception of Poland, combine available preliminary injunctions with provisional enforceability of first instance merits decisions. In some countries, such as the Netherlands and Israel, stays might be hard to obtain for the infringers. One Israeli court was of the view that there is ordinarily no reason to grant a stay with respect to injunctions because a failure to enforce the injunction will only increase the plaintiff’s injury. However, they are willing to suspend seizure orders as these affect a defendant’s reputation, which cannot be ex-post compensated by damages, while plaintiff’s harm of a suspended seizure can be more easily compensated.

### *3. Issuance of Preliminary Injunctions*

Unlike permanent injunctions, which are issued only after a finding of infringement, temporary or preliminary injunctive relief is issued during the course of a proceeding, when an infringement is alleged but not proven. No country in our study has adopted a strong presumption in favor of preliminary relief. Instead, as far as preliminary injunctions are concerned, courts in all countries adopt some form of discretionary procedure.

Generally, the test for preliminary injunctions starts with a determination of the patent holder’s probability of success on merits. These standards differ considerably among countries. Some countries, such as the U.S., Germany and Finland, require that the patentee demonstrate a substantial likelihood of success on the merits before issuing a preliminary injunction (which we refer to as a “strong” proof requirement), while others, such as the UK, Canada, Israel and Poland, simply require the existence of a credible claim of infringement (which we refer to as a “weak” proof requirement).

All of the countries that we studied empower judges to exercise discretion when considering the issuance of preliminary injunctions. The central hallmark of such assessment is the balance of party interests: how the issuance or its refusal will affect the parties. Typical considerations include the impact of an injunctive order on the infringer's business (e.g., closure, customers, or insolvency), on the business of the patentee (e.g., on its production, customers or ability to compete), or the likelihood that the patentee will successfully collect damages later in the process. While most countries use such balancing to decide upon issuance, in Poland, for instance, it only shapes the form and scope in which a preliminary injunction is granted.

Unlike parties' hardship, the public interest is not always explicitly mentioned in the legal provisions dealing with preliminary injunctions. For instance, it is not included in the statutory language in Finland. That being said, legal doctrines in the countries studied generally required assessment of the public interest. In the common law countries (UK, US, Israel, Canada), public interest is one of the traditional equitable factors. Similarly, major civil law jurisdictions (Germany, France, Italy and the Netherlands) explicitly consider public interest in their decision-making about issuance of preliminary injunctions. In Poland, also a civil law country, the public interest is not explicitly considered by the courts, but this seems to be an exception.

Public interest factors considered by judges include issues of employment (e.g., massive and sudden worker layoffs), workplace safety and public health (e.g., availability of products with particular therapeutic properties, increased efficacy or reduced side-effects). Pure considerations of follow-on innovation and promotion of competition are usually not sufficient to demonstrate a public interest in favor of injunctions. Nevertheless, courts in some U.S. cases<sup>13</sup> have considered the public interest in the reliable enforcement of patent rights, bringing public interest factors into play in favor of the issuance of injunctions. While employment considerations alone would typically be insufficient to overcome a request for a final injunction, these considerations may be given stronger consideration in the earlier stages (preliminary injunctions and stays pending appeal). In Germany, the courts previously considered issues such as the patent holder's ability to satisfy domestic market needs, improvement of trade balance, or improvement of the currency situation as being covered by the public interest. The net effect of these considerations is that public interest factors usually weigh against the entry of a preliminary injunction.

Interestingly, the degree of discretion that courts enjoy with respect to preliminary injunctions may, as a practical matter, lessen the need for discretion in permanent injunction cases. That is, the delay and scope of inquiry around preliminary injunctions sometimes act as hidden 'flexibilities' of the system. For instance, if the discretion is exercised appropriately on the preliminary and/or stay pending appeal stage, the need for further delays in granting a final injunction might be low, especially if the procedure took years to complete. By the time the final injunction is entered, the patents may have expired, or, at a minimum, the prudent infringer would

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<sup>13</sup> See, e.g., *Apple* (Fed. Cir. 2015, p. 647) ("the public interest nearly always weighs in favor of protecting property rights in the absence of countervailing factors, especially when the patentee practices his inventions."). See discussion in Contreras 2019, 3; 11-12.

have had ample time to invent around the infringed patents or prepare for the effects of such an injunction.<sup>14</sup>

## *B. Content of Injunction Orders*

In addition to the processes for determining whether or not an injunction will issue in a particular case, variations exist among courts and jurisdictions with respect to the specific language and terms of injunctions that are issued. The language of injunctions appears to be influenced both by doctrinal rules in a jurisdiction as well as its legal norms and customs.

### *1. Tailoring the scope of injunctions*

In most of the studied common law countries (US, UK, Canada, Israel), judges are more proactive in drafting their injunction orders, and enjoy considerable discretion in doing so. These judges are more likely to invite parties to participate in drafting the wording of injunction orders or to draft their orders from scratch. In Canada, for instance, the judge may either require the parties to jointly draft the proposed order, or write it herself and ask the parties to make notes and comments, before issuing it.

In the civil law countries (Germany, France, Finland, Italy, the Netherlands, Poland), the plaintiffs largely pre-determine the scope of court orders, and judges can only narrow them, including by reformulating. Hence, they act more as moderators of the proposals of plaintiffs. The process of drafting injunctions is generally less iterative in civil law countries than common law countries.

Varying the discretion of judges, however, does not seem to translate into a shared practice regarding the breadth of resulting orders. We generally observe a spectrum, where on one hand, the judges in some countries issue mere “do not infringe” orders, specifying only the patents infringed (Canada, United Kingdom, Israel, the Netherlands), while judges in other countries tend to specify products or processes along with infringing acts (Italy, Germany, Finland, France, United States).

Some of the countries in which more narrowly worded injunctions are issued sometimes allow enforcement of injunctions beyond their literal wording. For instance, in Germany, the infringer cannot evade an injunction by making minor changes to the infringing act/product if the core of the infringement remains unchanged. In Italy, minor variations falling outside the “genus and species” of the infringement that was already ascertained by the court, would also be insufficient to escape the effects of an injunction. On the other hand, in the United States, orders might explicitly envision such equivalent infringements as variations of “no more than colorably different” infringements in addition to those specified in orders.

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<sup>14</sup> Lemley & Shapiro 2007, 2005 (“The downstream firm cannot adopt a strategy of “redesign only if the patent is valid” without exposing itself to holdup if the patent is valid.”)



At the same time, even countries that primarily rely on broader wording of orders sometimes adopt strategies to narrow them or clarify their goals. For instance, judges might accompany broad orders with narrower language specifying products and conduct that are enjoined (Canada), or specifying only the conduct that is enjoined (Israel). In some countries, broad wording of injunctions may eventually be construed more narrowly in light of the court's reasoning (the Netherlands). In the United Kingdom, judges may substitute a default broad form for orders for a form that is more specific if justified by the circumstances of the case. In some countries, prohibitions on indirect infringement and importation are accompanied by more specific orders, as non-infringing activities may be involved in such activities.

Thus, whatever the standard for issuing injunctions in a particular jurisdiction, the scope of injunctive orders seems to reflect some balance between effective protection of patent holders on one hand, and infringers' right to conduct business, on the other. The overarching goal of all such orders is that infringers not be able to avoid the effect of such orders. It is commonly feared that overly narrow orders could make enforcement onerous for plaintiffs, as they would need to initiate new litigation for each infringing act not covered by the scope of such narrow orders. On the other hand, as emphasized by the Polish courts, overly broad injunctions can disproportionately limit the rights of infringers by preventing them from taking actions that are not actually infringing. In the United Kingdom, courts will consider the intent of infringers when calibrating the scope of injunctive orders. Similar considerations are present in the Italian literature.

The balance struck by different courts across jurisdictions seems to depend on the broader institutional set-up, in particular the availability of an effective procedure to clarify injunctions over time. In some countries, if questions about the scope of an injunction arise, infringers can seek declarations of non-infringement from a court (e.g., Netherlands and UK). In these models, by default, the costs of clarification and the burden of proof are borne by the infringer. However, different institutional concerns exist in other countries. In Finland, for instance, judges strive for narrow orders because non-specialist institutions such as the District Bailiff are responsible for subsequent enforcement. The judiciary therefore aims to streamline enforcement as much as possible.

The timeline of injunctive orders is determined by not only a country's attitude toward flexibility in orders for final injunctive relief, but also the availability of preliminary injunctions, its treatment of stays pending appeal, and eventual enforcement. At each of these stages, additional delays may be introduced. Judges therefore consider the temporal effects of their decisions beyond the actual wording of orders, and in some cases the infringer might have ample time to adapt its operations prior to a final decision on the merits.

## *2. The range of tailoring approaches to injunctive orders*

At its core, every effort to calibrate the wording of injunction orders is a type of judicial tailoring. For example, mentioning a specific patent or infringing product in an order distinguishes it on a factual basis from other orders. However, there are some tailoring practices that highlight how tailoring can specifically accommodate private and public interests. The country chapters describe several such more advanced types of tailoring: (1) sell-off periods, (2) delays, and (3) additional carve-outs. Notably, each of these types of tailoring derogates from an injunction's

otherwise absolute prohibition on the manufacturing and sale of infringing goods – it allows limited infringing activity for the purpose of accommodating reasonable party and public needs.

*Sell-off periods* are used to allow the infringer to finish distribution of products that were already produced at the time an injunction is entered, or for which orders were placed by the third parties. Such sell-off periods seek to prevent disruption in the distribution of products to the market, particularly when there is a public need for such products (e.g., medical products or drugs).

*Delays* in the effectiveness of an injunction can, in addition to permitting selling off inventory, allow an infringer to invent-around the infringed patent.<sup>15</sup> In some cases, delays in effectiveness are imposed for the benefit of third parties, such as patients, where immediate enforcement could disrupt the functioning of some important public resources (e.g., use of new heart valves requires re-training of the surgeons or adjustment of hospital procedures).<sup>16</sup> It could also mitigate the effects of an injunction on critical infrastructure, such as sewage systems or telecommunication networks, which affect the population at large.

Finally, *carve-outs* often complement the above types of tailoring. They might temporarily exempt the infringer from supplying the infringing product to a group of patients for whom there is currently no non-infringing alternative,<sup>17</sup> exclude the use of a product by existing consumer users, or simply include conditions on new sales, such as obligations to provide additional information to customers.<sup>18</sup> Apart from individual-oriented carve-outs, one can also imagine geographical carve-outs, e.g., during epidemics, natural catastrophes, or extreme weather.

### 3. *Compensation by Infringers*

As noted in Part 2 above, some means of tailoring injunctive relief permit the infringer to continue to infringe for limited periods of time or with respect to limited quantities of products. When an injunction is denied entirely, the infringement may continue indefinitely. Different jurisdictions have considered whether, and to what degree, the infringer must compensate the patent holder for the right to engage in these infringing activities.

When an injunction is denied in the United States after a finding of infringement, the infringer may be required to pay the patent holder ongoing royalties, as though operating under a license from the patent holder. The amount of such ongoing royalties may be determined by the court (often by a jury) or may be negotiated by the parties. An ongoing royalty may not be ordered if the patent holder was awarded lump sum damages to compensate it for all past and future harm associated with the infringement during the patent term.

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<sup>15</sup> In the U.S., the Federal Circuit in *Broadcom Corp* (Fed. Cir. 2008) affirmed the district court decision to delay the effectiveness of permanent injunctive relief by a period of up to 20 months due to the party hardship and public interest.

<sup>16</sup> See *Edwards Lifesciences LLC* ([2018] EWHC 1256 (Pat)) – discussed in Chapter 13 (UK).

<sup>17</sup> See *Edwards Lifesciences LLC* ([2018] EWHC 1256 (Pat)) – Chapter 13 (UK); *AbbVie* (FC 2014) – discussed in Chapter 5 (Canada).

<sup>18</sup> See *AbbVie* (FC 2014) – Chapter 5 (Canada).

In Canada, the court in *Unilever* denied an injunction (on the basis that the patent holder had no operations in Canada) and in lieu thereof awarded “a generous, but non-confiscatory, rate of royalty”, which was somewhat higher than a reasonable royalty. The court reasoned that the enhancement was given in exchange for the avoidance of an injunction.<sup>19</sup>

Though there is no English patent case to date in which damages have been assessed in lieu of an injunction, it appears that calculation of such damages would follow the criteria for ordinary damages for patent infringement. That is, they would be calculated as lost profits, lost licensing fees or a reasonable royalty that the parties would have agreed in comparable cases. Disgorgement of the infringer’s profits does not seem to be available in such cases.

Article 12 of EU Directive 2004/48 permits the courts of Member States to order monetary compensation in lieu of an injunction. Though optional, Poland implemented this provision in Article 287 Section 3 of the Polish Industrial Property Law. It provides that a court may, upon the motion of the infringer, order the payment of monetary compensation in lieu of an injunction. This is possible however only when the infringer acted unintentionally and without negligence, the issuance of an injunction would disproportionately harm the infringer, and monetary compensation would be satisfactory to the patentee. Despite the existence of this statutory provision, it has never been exercised with respect to any patent or other intellectual property case.

Sell-off exceptions, as discussed above, permit ongoing infringement with respect to the sale of existing units of an infringing product. In some cases, damages may have been assessed with respect to the manufacture of such infringing products, in which case additional royalties should not be due with respect to their subsequent sale. Thus, sell-off exceptions are usually granted without an obligation by the infringer to compensate the patent holder further. Nevertheless, examples exist in which courts have required compensation by the infringer selling off infringing inventory (Canada). Similarly, in Finland, owners of infringing products can be allowed by a court to continue to use such products if they pay compensation.<sup>20</sup> European law also foresees the opposite scenario, namely that patent holders are asked to shoulder the cost of ancillary orders, such as those requiring the infringer to destroy or recall infringing products.<sup>21</sup>

#### 4. *Enforcement of injunctions*

The countries studied generally employ a mix of approaches to the enforcement of injunctions. Usually, enforcement mechanisms combine monetary liability (fines, damages, and penalties) and criminal penalties. This is the case in Germany, Canada, Israel, Italy, Poland, the United Kingdom and the United States. In the United States, an infringer’s failure to comply with the terms of an injunctive order can result in a finding of “contempt of court”, which can be a criminal offense, and might result in criminal penalties such as imprisonment, as well as a new

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<sup>19</sup>*Unilever* (FCTD 1993, p.571).

<sup>20</sup> Interestingly enough, the compatibility with EU law is supported by Article 12 of the Enforcement Directive – See Chapter 4 (EU).

<sup>21</sup> See Article 10(2) of the Enforcement Directive.

injunction that is more burdensome. Other countries (Finland, France and the Netherlands), however, only rely on monetary tools to enforce injunctions. Automatic non-compliance fines are more typical for civil law jurisdictions (the Netherlands, Poland, Italy, France, and Finland). For instance, in France, the courts use penalties, which they can impose even *ex officio*. Such penalties are often independent of damages and cannot be credited against damages otherwise owed by the infringer.

In the enforcement stage, the effect of an infringer's knowledge and intent to violate an order is not assessed uniformly. While some countries only sanction culpable (Germany), willful (United States) or intentional (Italy) non-compliance, other countries do not take a party's intent into account (United Kingdom). In the United Kingdom, the defendant's intention (or lack of it) is generally relevant only to the sanction, but the court can dismiss disproportionate reactions to trivial or blameless breaches of an order.

### C. *Institutional Factors*

It has already been noted that institutional factors influence the exercise of flexibility both in granting injunctive relief and also in fashioning the terms of injunctions. Most notably, the belief of judges in countries such as Germany that *compulsory licensing* can resolve public interest issues leads them to adopt a certain kind of 'public interest bifurcation'. Thus, the public interest is generally set aside when deciding individual cases because the law is construed to create a separate procedure for its evaluation.

Somewhat related to this are rules in some countries that immunize the government and its suppliers from injunctions for patent infringement (United Kingdom (the Crown), France (for national defense), United States (sovereign immunity for federal and state governments)). In countries such as the United States, sovereign immunity is a Constitutional principle that applies to all claims made against the government. State governments are wholly immune from patent infringement as such claims may be heard only in federal courts, and states may not be sued in federal court without their consent under the 11<sup>th</sup> Amendment to the Constitution. The federal government is likewise immune from claims brought in its own (federal) courts, though by statute (28 U.S.C. § 1498) the federal government has waived its (and its contractors') sovereign immunity for patent infringement claims and permits claims for monetary relief to be brought against it in the specialized Court of Claims. However, no injunction may issue against the federal government or its contractors in such cases.

This *injunction immunity* might provide another type of 'public interest bifurcation', as it suggests that the legislature has already considered issues of public interest in immunizing governmental bodies from such injunctions. Although such immunity does not appear common among civil law countries, it may be supplemented *de facto* by compulsory licensing rules, which in some cases are drafted particularly with governmental use in mind. The idea behind such a two-tier system could be explained by the expectation that enjoining actions of public authorities, as opposed to private actors, is more likely to raise public interest concerns. For instance, enjoining fire departments, police corps, military, or public health authorities from using inventions in course of their public activities appears *prima facie* more problematic than stopping exploitation by private firms of patents covering typical commercial products or services.

Specifically, Germany, the Netherlands, Finland, and Canada, which do not recognize sovereign immunity for patent claims, allow their governments to obtain compulsory licenses under patent rights. Several countries also permit private parties, in addition to governmental entities, to seek compulsory licenses under patent rights under specified conditions. However, several countries, including Germany, report that such compulsory licenses must be applied for specifically and cannot be raised as defenses in an infringement proceeding (Finland, Germany and the Netherlands). Nevertheless, compulsory licenses are reported to be very rarely issued. Therefore, even though some countries that favor an automatic approach to injunctions do have compulsory licensing provisions, they are not often applied in practice, and are not very well integrated with infringement proceedings.

This observation implies that jurisdictions that justify their inflexibility in issuing injunctions by pointing to the availability of compulsory licenses may be relying on a false equivalency. If alleged infringers cannot reasonably rely on the availability of compulsory licenses, they cannot be said to be particularly useful to defend the public interest. Moreover, under such a system, the defense of the public interest is left to the initiative of one of the parties, which may not always be effective or in the best interest of the public. Improving the integration of compulsory licensing procedures into infringement proceedings represents a possible, albeit limited, solution to the general problem of considering the public interest.

Another institutional feature that prominently affects the issuance and tailoring of injunctions is a court's assessment of patent validity and prevailing assumptions about the overall quality of patents in the jurisdiction. If judges believe that the quality of patents is generally high in their jurisdiction, they may presume more strongly that a patentee's argument is likely to prevail. These presumptions impact the availability of preliminary injunctions and possibly stays of enforcement. If the institutional set up of a country strengthens this presumption further by bifurcating the infringement and validity portions of a proceeding (Germany and Poland), this might also increase the likelihood of final injunctions.

A stronger presumption in favor of granting injunctions might also result from a country's reliance on a non-specialized judiciary, which may be unwilling to question underlying patents because it is intimidated by their technological aspects. During our workshops, it was suggested that in some countries with a specialized judiciary and patent bar (e.g., the Netherlands and the United Kingdom), one can observe more professional self-restraint in enforcing the rights of their clients. That is, counsel exhibiting self-restraint are more likely to request reasonable remedies, rather than seeking maximal penalties. Such self-restraint would then result in the issuance of more balanced decisions by judges. However, in the United States, professionalization may have the opposite effect, with a specialized patent bar and judiciary leading to a greater number of pro-patent holder decisions as well as rules favoring patent holders.<sup>22</sup>

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<sup>22</sup> See, e.g., Jaffe & Lerner 2004, 168 (“the failure of federal efforts to reform the patent system is due to several factors: ... (2) the people with the greatest economic stake in retaining a litigious and complex patent system – the patent bar – have proven to be a very powerful lobby”); Holte & Seaman 2017, 145 (finding support for the claim that “the Federal Circuit, as a specialized court with a large number of patent cases, is more pro-patentee than the generalist district courts”).

Naturally, there are a number of additional institutional factors that might influence what we observe in the case law. In particular, legal fees and private costs, the existence of cost shifting schemes, the likelihood of settlements and the average length of proceedings, all further influence litigation outcomes. For instance, according to one empirical study, German litigants settle 60 % of patent cases – which is a disproportionately high rate when compared to other jurisdictions (e.g., the settlement rate in the UK is 35%).<sup>23</sup> In the U.S., commentators routinely report that the “the vast majority of patent cases settle before trial.”<sup>24</sup> Settlement agreements often include cease and desist obligations that otherwise would have been adjudicated by the courts. Therefore the fact that we do not observe nuanced tailoring in the case law does not necessarily mean that it is not taking place in the market. In fact, one could argue that such agreements are exactly where such tailoring takes place. Furthermore, some empirical research suggests that German patent courts engage in forum selling by attracting cases through the pro-plaintiff stance of refusals to stay patent infringement proceedings when a patent’s validity is being challenged.<sup>25</sup>

Another institutional factor that can affect the frequency and scope of injunctions is the cost of litigation. In the UK, for example, comparatively high costs of litigation, coupled with fee shifting rules and high patent invalidation rates, may limit the number of non-practicing entities (NPEs) invoking their rights in the jurisdiction.<sup>26</sup> As a result, courts in the UK may have less occasion to consider cases involving NPEs than, say, courts in the U.S., in which fee shifting is rare.

To conclude, patent litigation is influenced by a range of systemic factors, and the degree of flexibility and tailoring of injunctive relief in a particular jurisdiction cannot be assessed simply by looking at absolute numbers of decided cases. Sometimes, tailoring may occur before judges make final decisions, either because of built-in delays in the litigation process or settlements. Sometimes other features of the system, such as compulsory licensing, immunities, and legal costs, appear to address public and party interests. However, none of these institutional features is perfect or applied uniformly, meaning that there will always be a group of cases that require some form of fine-tuning at the remedial stage.

## **II. ASSESSING SIMILARITIES, DIFFERENCES AND OUTCOMES**

### **A. *Tailoring and Refusal***

Judges have two main strategies for giving effect to party interests and public interests when assessing injunctions, while at the same time minimizing encroachments on patent rights: (1) to use discretion in deciding which injunctions to grant and deny, and (2) to tailor final

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<sup>23</sup> Cremers, Ernicke, Harhoff, Helmers, Licht, McDonagh, Rudyk, Schliessler, Schneider & van Zeebroeck (2016).

<sup>24</sup> See, e.g., Lemley, Kendall & Martin 2013, 171.

<sup>25</sup> See Bechtold, Frankenreiter, and Klerman 2019.

<sup>26</sup> McDonagh 2016, 30 (studying cases through 2015).

injunctions by allowing delays in effectiveness, sell-off periods or carve-outs.<sup>27</sup> The denial of injunctions, which is often emphasized in policy discussions, seems to be relevant only if tailoring does not offer satisfactory solutions for party or public interests.

Looking at the case law across jurisdictions, we observe that the majority of countries we studied engage in some type of tailoring of injunctive relief – often by introducing delays or sell-off periods in at least some cases.<sup>28</sup> While in other countries tailoring is theoretically possible, there is limited or no case law directly on point. The denial of injunctions after a finding of patent infringement is, except in the United States, very rare.<sup>29</sup> Table 2 below summarizes notable cases in which injunctions have been denied in patent cases in the countries that we studied.

Table 2

	FR	FI	DE	IT	IL	NL	UK	US	PL	CA
<i>Refusal</i>	n/a	n/a	n/a	n/a	n/a	<i>Apple v Samsung II</i> (2012; willing SEP licensee)	<i>Edwards v Boston</i> (2018; public interest)	Numerous cases since 2006	Yes (in theory, but no case law)	<i>Unilever</i> (1993)

The most established practice exists in the U.S., where courts assess the appropriateness of injunctions on a case by case basis and have denied injunctive relief when the factors established in *eBay v. MercExchange* are not satisfied. Apart from the U.S., UK courts, despite limited case law, most strongly signal the possibility that injunctive relief may be denied. *Edwards v Boston*<sup>30</sup> shows that such refusal can be also limited to only a sub-set of infringing actions or be limited in time. In a case involving standards-essential patents, *Unwired Planet v Huawei*,<sup>31</sup> an English court issued a conditional injunction, which would enter into force only if the infringer did not enter into a license with the patent holder on terms prescribed by the court. Lastly, there is a single Canadian case that rejects injunctive relief, in part on the ground that the patentees did not practise their patented invention in Canada.

#### B. Discretion and Proportionality

Judicial discretion, in the common law countries, and proportionality, in the EU countries, are both types of case-by-case assessment. They might differ in details and the factors that they involve, but ultimately they attempt to deliver individualized justice. This is best seen in the

<sup>27</sup> This latter group has been referred to as tailoring of “scope or timing”. Siebrasse et al. 2019, 155.

<sup>28</sup> See also *id.* (eliminating existing products from the scope of an injunction has been “occasionally applied or at least considered by courts in the United States, the United Kingdom, and Canada.”).

<sup>29</sup> Following the framework set forth by the CEJU in *Huawei v. ZTE* [C-170/13], courts in Europe may refuse to grant patent injunctions on the basis of competition law when asserted patents are subject to licensing commitments on “fair, reasonable and non-discriminatory” (FRAND) terms. See Larouche & Zingales 2017, 406.

<sup>30</sup> *Edwards Life Sciences LLC* (No 3) [2018] EWHC 1256 (Pat).

<sup>31</sup> *Unwired Planet Int’l Ltd* [2017] EWHC 1304 (Pat).

English case law, where both of these types of assessment overlap, but often point in the same direction. The combined test developed by Lord Justice Arnold in *HTC v Nokia* blends the two approaches as follows:<sup>32</sup>

Article 3(2) does not merely require that remedies for infringement should be proportionate and avoid creating barriers to legitimate trade, it also requires that they should be effective and dissuasive. As the jurisprudence of the English courts summarised above recognises, the effect of refusing an injunction to restrain future infringement is, to that extent, to deprive the claimant of its legal right. That is particularly true in the case of patents, which are monopolies and thus the essence of the right is the patentee's right to give or withhold his consent to another person's exploitation of the patented invention. Thus the grant of damages in lieu of an injunction is inevitably less effective and dissuasive than the grant of an injunction. (...) Where the right sought to be enforced by the injunction is a patent, however, the court must be very cautious before making an order which is tantamount to a compulsory licence in circumstances where no compulsory licence would be available. It follows that, where no other countervailing right is in play, the burden on the party seeking to show that the injunction would be disproportionate is a heavy one.

From the contributions to this book, it is clear that some judges in common law countries, in particular Israel, share this starting point when exercising their discretion.

As shown above, the greatest degree of judicial discretion in terms of issuing injunctions is observed in the United States. This result is usually explained by reference to the U.S. Supreme Court's *eBay* decision in 2006. But *eBay* did not emerge in a vacuum. It could be argued that the instrumentalist purpose of patent law established by the U.S. Constitution itself allows U.S. courts to question the normative goals of the patent system, and the remedies that should be available to patent holders, more deeply than is permitted to courts in other countries, including other common law countries.<sup>33</sup> That is, unlike countries in which patents fall under the umbrella of Constitutional principles that protect private interests in property, the U.S. Supreme Court has conceptualized patents as "government franchises" rather than traditional property rights.<sup>34</sup> Accordingly, in deciding *eBay*, the U.S. Supreme Court was not constrained by strong Constitutional property principles that may limit the authority of courts in other countries to exercise significant discretion in deciding whether or not to grant injunctions in patent cases. In the European Union, judges might be warier of the fact that the legislature's decision to protect an invention through an exclusive right implies that any denial of an injunction would be taking away the 'essence' of the patent right.<sup>35</sup>

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<sup>32</sup> *HTC Corporation* [2013] EWHC 3778 (Pat), paras 28, 32.

<sup>33</sup> Canada also takes an instrumentalist view of patent law, and the Canadian Patent Act states that "the object of the Patent Act is to promote the development of inventions in a manner that benefits both the inventor and the public." Nevertheless, with respect to injunctions, Canada falls into Group A, giving its judges little discretion not to issue injunctions.

<sup>34</sup> Oil States Energy Services (2018).

<sup>35</sup> On the notion of essence of intellectual property rights under the EU Charter, see Husovec 2019, 843. For instance, Advocate General Wathelet hints at this in his Opinion in *Huawei v ZTE* Case C-170/13 at fn. 34 ("[t]he essential objective of a patent is to ensure, in order to reward the creative effort of the inventor, that the owner of the



Significantly, the European proportionality test, which addresses both party interests and public interests does include a test relating to the adequacy of monetary relief to the patent holder. As illustrated by the passage above, reference to effectiveness and dissuasiveness is, on the contrary, generally understood to highlight the property rationale of patents. From this perspective, it is understandable that European judges do not make the same normative choices, and give much more deference to the legislative authority vested in patents. The proportionality test, as outlined by the case-law of the CJEU (see Chapter 4 (EU)), therefore acts as a marginal corrective on the real-world effects of patent enforcement rather than a last-resort corrective on the entire patent system.

As discussed in Chapter 4 (EU), Recital 17 of the EU Enforcement Directive frames proportionality considerations as ‘tak[ing] into account the specific characteristics of the case, including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement’. Art. 3(2) provides that ‘measures, procedure and remedies’ used to address the infringement of intellectual property rights must be ‘effective, proportionate and dissuasive’ to ensure their enforcement.

Though the Enforcement Directive includes a specific optional provision on damages in lieu of injunctions, its impact on national law appears to be insignificant at this point. Article 12 of the Enforcement Directive, which is limited to party interest grounds and does not include the public interest element, has not been explicitly implemented in Germany (for patent cases), Finland, France, Italy, the Netherlands, or the United Kingdom. In fact, even Poland, which has implemented it, has not applied it in an IP case. While authors from many of these countries do not dismiss the possibility of refusal of an injunction based on the Enforcement Directive’s concept of proportionality, there is no case law showing that this is a practical possibility. Usually, the only such case law deals with FRAND disputes, drawing on the limits outlined by competition law.

It is notable that the approach of group A countries, which are mostly EU civil law countries, has generally been different with respect to more ancillary orders, such as those relating to destruction and recall of infringing products. These orders are more particularly regulated by the EU law, which explicitly requires that judges always assess ‘the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account’ (Article 10, EU Enforcement Directive). Thus for these specific ancillary orders it is not uncommon to see refusals, or qualifications, by judges.

The general situation described above contrasts starkly with current interpretations of the Enforcement Directive by the Court of Justice of the European Union (CJEU). As summarized in Chapter 4, ‘[the Enforcement Directive] allows and even requires the denial or flexible curtailing of injunctive relief in certain exceptional cases where an untailored injunction would be grossly disproportionate, it does not contain any bright-line rules for certain entire case groups’.<sup>36</sup> As noted there, even the test outlined in cases concerning injunctions against intermediaries ‘clearly has an

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patent has the exclusive right to use an invention with a view to manufacturing industrial products and selling them, either directly, or by granting licences to third parties, as well as the right to oppose infringements’).

<sup>36</sup> See Chapter 4 (EU).

impact on the general question of how to consider and balance the fundamental rights of the parties when applying and specifying injunctions'.<sup>37</sup> Even if the Member States implemented Article 12 of the Enforcement Directive more broadly (damages in lieu of injunctions), the provision remains conceptually plagued by uncertainties around its scope. In particular, as pointed out in Chapter 4,<sup>38</sup> without an authoritative clarification by the CJEU that for the purposes of assessment of the “innocence” of an infringement only the initial act is relevant, the provision is unlikely to have any practical use.<sup>39</sup>

For these reasons, even if the European courts more fully embrace proportionality in patent law,<sup>40</sup> which they have not done yet, the set of cases that is likely to be considered under the test is much narrower than in the U.S. Although European judges have some experience using proportionality for purposes of preliminary injunctions, the interests that they are likely to consider for purposes of final injunctions are more limited. For instance, as suggested in some of the contributions to this book, considerations of employment and follow-on innovation have a smaller role to play under a European proportionality analysis. The reason is not ignorance of these issues, but stronger judicial deference to the legislative design of the patent law. While at the preliminary stage European judges may try to find a good interim solution in the midst of significant legal uncertainty, in the final stage, when the legal situation is clarified, they feel the need to give full force to the legislator’s design. The proportionality test asks them to correct it only at the margin and only as far as a ‘countervailing right is in play’.<sup>41</sup>

### C. *International context*

International law does not seem to play a major role in tailoring and granting injunctive relief in any of the studied countries. This is in line with the findings of the authors of Chapter 2, who argue that the injunction provisions of the TRIPS Agreement only provide authority to grant injunctions, without significantly constraining the exercise of that authority. They point to the analogous setting of the WTO *China—Enforcement* panel decision, which held that another similarly worded provision of TRIPS provides “the obligation is to ‘have’ authority, [it is] not an obligation to ‘exercise’ authority.”<sup>42</sup> At the same time, they highlight that the interaction of TRIPS provisions on injunctive relief and compulsory licensing can become quite complex, depending on the reading that is adopted by the WTO. Nevertheless, the chapter authors, along with other

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<sup>37</sup> See Chapter 4 (EU)

<sup>38</sup> See Chapter 4 (EU)

<sup>39</sup> It is worth noting that the very idea of an “innocent” patent infringement does not exist in many jurisdictions.

<sup>40</sup> Some commentators (including JLC) have recommended that courts in Europe more fully adopt principles of proportionality in assessing injunctive relief. Siebrasse et al., *supra* note 27, at 155 (“we recommend that a proportionality-based test ... be deployed in a system that gives courts latitude to construct injunctions that are tailored to avoid or mitigate disproportionate effects”).

<sup>41</sup> *HTC Corp v Nokia Corp (No 2)* [2013] EWHC 3778 (Pat), para 28.

<sup>42</sup> *China—Enforcement*, at ¶ 7.236. Article 59 requires that “competent authorities shall have the authority to order the destruction or disposal of infringing goods . . .”. See TRIPS, art. 59.

scholars, argue that even the flexible U.S. approach to injunctive relief would very likely be compatible with the TRIPS Agreement.<sup>43</sup>

This being said, two other types of limitations that might arise under international law, which are less often appreciated in policy debates. First, they explain that domestic practices around the exercise of authority to grant injunctive relief also need to be consistent with the requirements of national or most-favoured-nation (MFN) treatment. They highlight that *de facto* discrimination may thus constitute a violation of TRIPS under some circumstances, for instance when it constitutes a clear feature of the system's design. This could be particularly relevant in cases in which some neutral proxy considerations, such as non-exploitation or local employment, lead to worse enforcement conditions for foreign patent owners. A similar problem could arise in the context of the TRIPS prohibition on discrimination by a field of technology. For instance, when a particular societal issue is being addressed by injunction flexibilities in the area of ICT but remains ignored in other areas of technology (e.g., pharmaceuticals), a compliance issue under the TRIPS Agreement could arise.

Finally, a *lack* of flexibility at the national level could equally constitute a problem because the TRIPS Agreement imposes a ceiling on national enforcement measures. Specifically,

- Article 7 states that the Objectives of the TRIPS Agreement are to: “contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations”.
- Article 41 requires that injunctions must be “be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse” and that procedures must be “fair and equitable”, and “not [] unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.”

As a result, the TRIPS chapter authors conclude that “excessive enforcement could also raise compliance issues”.<sup>44</sup> However, in all of these cases, they observe that there may be a need to prove a pattern or practice, which emerges from domestic decisions, before one can consider underlying compliance with TRIPS obligations.

#### *D. Trends and Future Directions*

Many of the contributors to this book noted clear or subtle trends in their jurisdictions, indicating that there might be changes on the horizon. The first and most obvious catalyst of change is U.S. judicial practice, which contrasts considerably with that of countries having a strong presumption favoring the issuance of permanent injunctions. A second catalyst may be technological change, which has resulted in increasingly complex technological products, creating more situations in which simple binary decisions regarding injunctions are difficult to justify in

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<sup>43</sup> See Chapter 2 (TRIPS).

<sup>44</sup> Chapter 2 (TRIPS).

light of other interests.<sup>45</sup> A third catalyst, at least in the European Union, is EU law itself, which increasingly emphasizes proportionality, which can incorporate considerations of both party interest and the public interest.

Equally powerful in re-imagining existing approaches to injunctive relief is EU competition law, which has prominently been invoked in FRAND disputes and has directly impacted the remedial toolkit of patent law. Surprisingly, EU competition law has been more successful than the EU Enforcement Directive in influencing European judges regarding the issuance of injunctions. This may be because competition law solutions are more circumscribed than those based on patent law.<sup>46</sup> That is, patent law solutions are often applicable to all patent owners, but competition law solutions are applicable only to a subset of patent owners in a position of dominance. Therefore, there is less worry that any particular decision will have substantial spillover effects. More broadly, it should be emphasized that the EU legislature has limited power to influence other policy layers of the patent system, such as patent quality and scope of rights, which remain outside of EU law.<sup>47</sup>

A number of our European contributors have advocated for greater judicial reliance on the proportionality test in the assessment of injunctions, noting that the literature is sometimes not fully reflected in the case law.<sup>48</sup> Interestingly, European contributors emphasize that other IP domains, in particular copyright law, are more advanced in this respect. There, apparently, internalization of the CJEU's doctrines seems to be in full swing at the domestic level. For example, in the Netherlands, the Amsterdam Court of Appeal has held in a copyright infringement case that when an injunction is requested, 'a specific balancing of interests, taking into account the circumstances of the case' must be performed.<sup>49</sup>

The theory that the enforcement of intellectual property rights must be balanced against other fundamental rights (perhaps relating to health or education) could have an impact on injunctions in patent cases too.<sup>50</sup> However, patent judges seem reluctant to extend fundamental rights-inspired balancing to patent law. Usually, they remain convinced that most of the time there is nothing to balance in patent law. In Germany, this attitude has prompted a reaction by the legislature, which recently proposed an amendment to the patent law that would require courts to consider party interests and the public interest in the analysis of injunctive relief. The envisaged

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<sup>45</sup> See Siebrasse et al. 2019, 156 (recommending "that courts generally be willing to consider such tailoring whenever injunctive relief is sought in relation to a complex product"), Sikorski 2019, 246 ("Comparison of the harm and the elusive benefits of an injunction [for infringing a component of a complex product] would strongly favor monetary compensation in lieu of an injunction or at least tailoring of injunctive relief that would allow for designing around while allowing the manufacturer to stay on the market for the time necessary to switch to a new technology").

<sup>46</sup> See Husovec 2020 (discussing the use of proportionality in EU patent law).

<sup>47</sup> The principal body that assesses questions of patentability in the EU is the European Patent Office (EPO), an arm of the European Patent Organisation, an international treaty organisation with 38 member states.

<sup>48</sup> See also Siebrasse et al. 2019, 155-56 (recommending greater reliance on proportionality principle).

<sup>49</sup> *Anne Frank Stichting* (CoA Amsterdam 2018, para. 3.11.2) – for the discussion, see Chapter 11 (Netherlands).

<sup>50</sup> See Sikorski 2019, 247 (public interest concerns justify tailoring of injunctive relief).

introduction of an explicit proportionality requirement for injunctions links financial compensation with any potential refusal. If adopted, it still remains to be seen how much traction the mechanism will gain in actual court practice and what standards of review will be adopted.

This is not to say, however, that the increased use of proportionality by European judges will lead to results that come anywhere close to U.S. practice. As we have shown, there are many shades of flexibility and tailoring that judges can use to consider party and public interests. Based on our survey of the literature, it seems that the existing case law in European countries does not always match the opinions of scholars, who seem less reluctant to internalize EU case law in patent law.

Another important development to watch in this area concerns the creation of the European Unitary Patent Court (UPC) system (see Chapter 4 (EU)). This system will exist independently of and alongside the national legal and judicial systems studied in this volume, and will be comprised of judges and courts from countries across Europe, with tribunals situated in a few large jurisdictions. It is unclear what institutional and structural preferences will emerge within the UPC system, and the degree to which these features will be influenced, or dominated, by the legal systems of one or more of the remaining UPC member states.

The UPC system, which has not yet been created, is anticipated to grant a degree of discretion to its judges,<sup>51</sup> while leaving the principles underlying the actual practice open. Although the Preparatory Committee expressed the view that the denial of an injunction might be possible only under ‘very exceptional circumstances’,<sup>52</sup> the final rules of procedure and practice might differ. It is no wonder, therefore, that literature expresses contradictory views on what to expect from the future UPC.<sup>53</sup> In terms of our spectrum, the UPC could easily shift between groups B to E, although only B to D appear likely.

Interestingly, given the recent exit of the United Kingdom from the EU and the UPC system, UK judges, arguably Europe’s most ardent champions of proportionality in patent law and influential voices in the original drafting of the UPC’s rules, will no longer have a direct say in the new institution’s operations or the subsequent evolution of its rules. Their influence might only remain indirect through the interpretation of some common rules under international law, and by setting an example of good practices.<sup>54</sup> After all, the principles of judicial decision making from

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<sup>51</sup> See 63(1) Agreement on a Unified Patent Court (2013) Official Journal C 175, p. 1–40 (“Where a decision is taken finding an infringement of a patent, the Court *may* grant an injunction against the infringer aimed at prohibiting the continuation of the infringement.” – emphasis ours)

<sup>52</sup> ‘Table with Explanatory Notes to the Changes Made by the Legal Group of the Preparatory Committee in the 17th Draft of the Rules of Procedure’ (2014) p.11.

<sup>53</sup> See Marfé et al. 2015, 187; Tilmann 2016, 545, 554; and Chapter DE, Part B, this volume.

<sup>54</sup> If the UK-EU trade deal is eventually adopted, the UK and the EU Member States participating in the UPC system will remain bound by the general principles for remedies in the IP Enforcement Directive (see Article IP.38(2) of the Trade and Cooperation Agreement Between the European Union and the European Atomic Energy Community, of the one part, and The United Kingdom of Great Britain and Northern Ireland, of the other part (2020) Official Journal L 444, p. 14–1462).

the UK, and even from non-European countries, may influence the shape of this important new transnational judicial institution.

The predominant concern of patent judges in EU countries seems to be opening the floodgates to a new avenue of pleading at the remedial stage. This would explain why the reference to compulsory licensing, which is dealt with in a separate procedure, still holds its sway. However, as demonstrated by countries such as the UK, the recognition of judicial discretion in injunction cases need not cause major changes in the outcome of cases. As noted in Chapter 13 (UK), ‘[a]lthough there is a reasonable volume of UK patent litigation, disputes concerning injunctions are relatively infrequent’. Arguably therefore, in a majority of cases, the exercise of greater judicial discretion will probably not lead to any large aggregate difference in outcomes.

At the same time, the view of judges in some countries as mere automatons is not entirely accurate or fair. Courts in countries with strong presumptions favoring the issuance of permanent injunctions sometimes apply proportionality considerations at the preliminary injunction stage, when deciding stays, and when tailoring injunctive relief to the specific cases before them. This tradeoff between the decision to *issue* a permanent injunction (which may be relatively automatic) and the parameters around its *tailoring* (which may be flexible) suggest that any binary view of judicial approaches to injunctive relief is not warranted, and that a jurisdiction’s treatment of injunctive relief should be viewed on a holistic basis, taking into account not only doctrinal, but also normative and structural considerations.

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